

Agenda Date: June 30, 2011
Item Number: B1

Docket: **TG-110792**
Waste Management of Washington, Inc. d/b/a Waste Management of Skagit County, G-237

Staff: Layne Demas, Transportation Program Staff
Pam Smith, Consumer Protection Staff

Recommendation

1. Issue an order granting the company's request for an exemption from WAC 480-07-520(4), Work papers.
2. Allow the proposed rates filed by the company on April 29, 2011, to become effective July 7, 2011, by operation of law and approve the revised rates, filed by the company on June 22, 2011, to become effective July 7, 2011, on less than statutory notice.
3. Grant the company's request for an exemption from WAC 480-70-266, Tariffs, to allow the revised rates, filed by the company on June 22, 2011, to become effective on July 7, 2011, on less than statutory notice.
4. Grant the company's request for an exemption from WAC 480-70-271, Customer Notice, to allow the company to notify customers affected by the increased revised rates in the next billing cycle.
5. Require the company to institute a deferred accounting mechanism for the sale of recyclable materials collected in the company's residential recycling program.

Discussion

On April 29, 2011, Waste Management of Washington, Inc., d/b/a Waste Management of Skagit County (Skagit or company), filed with the Utilities and Transportation Commission (commission) a new Tariff 18 that would generate approximately \$574,000 (8.4 percent) in additional annual revenue. The original proposed effective date was July 1, 2011. However, Skagit was delayed in mailing the customer notices until June 3, 2011, and the company requested to extend the effective date to July 7, 2011.

On April 29, 2011, Waste Management of Washington, Inc., filed a petition requesting an exemption from the work paper filing requirements set out in WAC 480-07-520(4). This petition is consistent with previous petitions Waste Management of Washington, Inc., has filed, and the commission has approved. The work papers filed provide staff with all of the information we require to audit the Skagit business unit and staff recommends that the commission grant the petition for exemption.

The tariff revisions propose to increase rates for residential and commercial solid waste, drop box, residential recycling and yard waste collection. The proposed rates are prompted by increases in disposal, labor, maintenance, fuel, and other operating and administrative costs.

Skagit provides regulated service to approximately 17,000 residential and commercial customers in Skagit County, Northern Snohomish County, and Camano Island (Island County). Skagit's last general rate increase became effective May 1, 2008.

The company also proposes to add a commodity credit of \$2.31 per month for all residential recycling customers. This commodity credit will be adjusted annually in accordance with the deferred accounting methodology. The commodity adjustment has two components: a true-up component that, for the previous twelve-month test period, compares the estimated commodity value to the actual commodity value, and an estimate of the revenue (cost) of the next twelve months using the average twelve-month test period revenue (cost). Staff recommends that the commission require Skagit to implement deferred accounting treatment for the revenue (cost) received (paid) from the sale (disposal) of recyclable commodities collected in the company's residential recycling service using the most recent twelve-month test period to true-up the estimated revenue to actual revenue, and to estimate revenue for the next twelve-month period.

Skagit provides mandatory recycling service to approximately 2,600 customers in Snohomish County per Snohomish County ordinance. Skagit also provides voluntary recycling service to approximately 4,500 customers in Skagit and Island Counties.

Staff's analysis supports the company's overall revenue requirement and proposed rates for solid waste, drop box and yard waste. However, staff's analysis showed an adjustment of residential recycling rates was required. One rate was too high and another too low. To achieve the allowed revenue requirement, the rate for voluntary recycling service should increase more than was noticed to customers, and the rate for mandatory recycling service should increase less than noticed to customers. On June, 22, 2011, the Company filed revised rates for residential recycling service at staff recommended levels.

The company requests an exemption from Washington Administrative Code (WAC) 480-70-266, Tariffs, to allow the higher revised rate to become effective on July 7, 2011, on less than statutory notice, and an exemption from WAC 480-70-271, Customer Notice, to allow the Company to notify customers affected by the increased revised rate in the next billing cycle.

RCW 81.28.050 and WAC 480-70-266 require forty-five days' notice to the Commission prior to the effective date of the tariff. The company requests, however, less than statutory notice as permitted by WAC 480-70-276, so that the tariff revisions become effective on July 7, 2011. The company must request less than statutory notice because the revised rate results in an increase compared to the rate the company originally proposed.

WAC 480-70-271 requires solid waste companies to provide each affected customer a notice at least thirty days before the requested effective date of the proposed rate increase. For the same reason(s) listed in seeking less than statutory notice to the Commission, the company seeks such an exemption from customer notice requirements. The company originally notified customers of the proposed rates on June 3, 2011, and requests an exemption from the customer notice rule to allow the company to notify customers by bill insert in the next billing cycle.

Customer Comments

On June 3, 2011, the company notified its customers of the proposed rate increase by mail. Eleven customer comments have been received to date. Two customers are undecided and nine oppose the increase. Consumer Protection staff advised the customers that they may access company documents pertinent to this rate case at www.utc.wa.gov and that they may contact Pam Smith at 1-888-333-WUTC (9882) with questions or concerns.

General Comments

- One customer believes the service is good, and, if warranted, the increase should be granted. Another customer also believes the service is good and asked how to reduce their bill. Nine customers opposed the increase due to economic conditions. One of the nine would like a reduced rate for senior citizens.

- **Staff Response**
 Customers were advised that state law requires rates to be fair, just, reasonable, and sufficient to allow the company to recover reasonable operating expenses and the opportunity to earn a reasonable return on investment. Regulatory staff will review the filing to ensure that the rates and fees are appropriate. Staff is waiting to hear back from one of the customers, and will discuss service options when contacted.

<u>Residential - Monthly Rates</u>	<u>Rate Comparison</u>					
	<u>Present</u>	<u>Proposed</u>	<u>Revised</u>	<u>Present</u>	<u>Proposed</u>	<u>Revised</u>
	<u>Snohomish</u>	<u>Snohomish</u>	<u>Snohomish</u>	<u>Skagit</u>	<u>Skagit</u>	<u>Skagit</u>
One Mini Can Per Week	\$13.20	\$14.10	\$14.10	\$12.50	\$13.30	\$13.30
One 32-Gallon Can Per Week	\$15.20	\$16.20	\$16.20	\$14.40	\$15.30	\$15.30
One 64-Gallon Cart	\$24.00	\$25.50	\$25.50	\$23.00	\$24.50	\$24.50
Curbside Recycling	\$ 5.90	\$ 9.05	\$ 7.90	\$ 7.40	\$ 9.05	\$ 9.40
Commodity Credit	N/A	(\$ 2.31)	(\$ 2.31)	N/A	(\$ 2.31)	(\$ 2.31)
Voluntary Yard Waste	\$ 7.50	\$ 9.65	\$ 9.65	\$ 7.50	\$ 9.65	\$ 9.65

<u>Commercial - Per Pickup</u>	<u>Present</u>	<u>Proposed</u>	<u>Revised</u>	<u>Present</u>	<u>Proposed</u>	<u>Revised</u>
1-Yard Container - Weekly Service	\$17.30	\$18.50	\$18.50	\$16.50	\$17.60	\$17.60
2-Yard Container - Weekly Service	\$26.80	\$28.60	\$28.60	\$25.40	\$27.20	\$27.20

<u>Residential - Monthly Rates</u>	<u>Present</u>	<u>Proposed</u>	<u>Revised</u>
	<u>Island</u>	<u>Island</u>	<u>Island</u>
One Mini Can Per Week	\$13.20	\$14.10	\$14.10
One 32-Gallon Can Per Week	\$15.90	\$16.90	\$16.90
One 64-Gallon Cart	\$25.60	\$27.30	\$27.30
Curbside Recycling	\$ 7.40	\$ 9.05	\$ 9.40
Commodity Credit	N/A	(\$ 2.31)	(\$ 2.31)
Voluntary Yard Waste	\$ 7.50	\$ 9.65	\$ 9.65

<u>Residential - Monthly Rates</u>	<u>Present</u>	<u>Proposed</u>	<u>Revised</u>
	<u>Island</u>	<u>Island</u>	<u>Island</u>
1-Yard Container - Weekly Service	\$17.80	\$19.00	\$19.00
2-Yard Container - Weekly Service	\$28.20	\$30.10	\$30.10

Average Customer Charge Comparison – One Can Customer

<u>Weekly Service</u> <u>Residential - Monthly Rates</u>	<u>Present</u>	<u>Proposed</u>	<u>Revised</u>	<u>Present</u>	<u>Proposed</u>	<u>Revised</u>
	<u>Snohomish</u>	<u>Snohomish</u>	<u>Snohomish</u>	<u>Skagit</u>	<u>Skagit</u>	<u>Skagit</u>
Garbage Component	\$15.20	\$16.20	\$16.20	\$14.40	\$15.30	\$15.30
Curbside Recycling	\$ 5.90	\$9.05	\$7.90	\$7.40	\$ 9.05	\$9.40
Commodity Credit	N/A	(\$2.31)	(\$2.31)	N/A	(\$ 2.31)	(\$2.31)
Total Garbage and Recycling	\$21.10	\$22.94	\$21.79	\$21.80	\$22.04	\$22.39
Voluntary Yard Waste	\$ 7.50	\$ 9.65	\$9.65	\$7.50	\$ 9.65	\$9.65
Total: Garbage, Recycling and Yard Waste	\$28.60	\$32.59	\$31.44	\$29.30	\$31.69	\$32.04
Percentage Increase		13.95%	9.93%		8.2%	9.35%

<u>Residential - Monthly Rates</u>	<u>Present</u>	<u>Proposed</u>	<u>Revised</u>
	<u>Island</u>	<u>Island</u>	<u>Island</u>
Garbage Component	\$15.90	\$16.90	\$16.90
Curbside Recycling	\$ 7.40	\$ 9.05	\$ 9.40
Commodity Credit	N/A	(\$ 2.31)	(\$ 2.31)
Total Garbage and Recycling	\$23.30	\$23.64	\$23.99
Voluntary Yard Waste	\$ 7.50	\$ 9.65	\$ 9.65
Total: Garbage, Recycling and Yard Waste	\$30.80	\$33.29	\$33.64
Percentage Increase		8.08%	9.22%

Commission staff has completed its review of the company's supporting financial documents, books and records. Staff's review shows that the expenses are reasonable and required as part of the company's operations. The company's financial information supports the proposed revenue requirement and the proposed rates and charges are fair, just, reasonable, and sufficient.

Conclusion

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2. Allow the proposed rates filed by the company on April 29, 2011, to become effective July 7, 2011, by operation of law and approve the revised rates, filed by the company on June 22, 2011, to become effective July 7, 2011, on less than statutory notice.
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